

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

ANNUAL COMPLIANCE REVIEW, 2016

Docket No. ACR2016

RESPONSES OF THE UNITED STATES POSTAL SERVICE TO
QUESTIONS 1-7 OF CHAIRMAN'S INFORMATION REQUEST NO. 6

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 6, issued on January 13, 2017. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.

Chief Counsel, Pricing & Product Support

Eric P. Koetting

475 L'Enfant Plaza, S.W.
Washington, D.C. 20260-1137
(202) 277-6333
January 23, 2017

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

1. Please reconcile the data provided in Library Reference USPS-FY16-NP10,¹ Excel file "COMPETITIVE PRODUCT GROUP SPECIFIC HQ COST.xls," tab "Summary," cell K13 and Library Reference USPS-FY16-NP10, Excel file "IC2016NP.ICSummaryRpt.xls," tab "ICSummary," cell D61.

RESPONSE:

The difference in the Group Specific cost amounts reported in these two different parts of USPS-FY16-NP10, apart from rounding, is due to market test costs. Excel file "IC2016NP.ICSummaryRpt.xls," tab "ICSummary," cell D61 includes all group product specific costs, but does not include the costs for competitive Market Tests. Cell K13 of tab "Summary" in Excel file "COMPETITIVE PRODUCT GROUP SPECIFIC HQ COST.xls, however, does include Competitive Product Market Tests (in cell K11). Subtracting the Market Test amount in cell K11 from cell K13 yields the amount shown in cell D61 of the other sheet. The incremental cost model includes all group product specific costs that are associated with CRA components, such as Mail Processing component 35 and Advertising component 246. The component breakdown of the costs for Competitive Product Market Tests is unknown. The costs for Competitive Product Market Tests are also included in the preface to USPS-FY16-NP10, page 2, on the line labeled Domestic Competitive Mail (& Market Tests).

¹ Library Reference USPS-FY16-P10, December 29, 2016.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

2. Please reconcile the "Domestic Competitive Mail (& Market Tests)" data provided in Library Reference USPS-FY16-NP10, file "USPS-FY16-NP10 Preface.pdf" table "FY2016 Incremental Cost Calculation for Total Competitive Products" at 2 and Library Reference USPS-FY16-NP10, Excel file "IC2016NP.ICSummaryRpt.xls," tab "ICSummary," cell H61.

RESPONSE:

Please see the response to Question 1 of this Information Request. Once again, the difference relates to the inclusion of Market Test costs in the Preface table, but not in the referenced cell H61.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

3. Please refer to Library Reference USPS-FY16-NP11,² Excel file "NonPublic_FY16CRARReport.xls," tabs "Cost3," "Cost4," "Volume2," and "Volume3;" and Library Reference USPS-FY16-NP28,³ Excel file "FY2016_RPW.ExtractFile.NonPublic.xls," tab "RPW Report." Please reconcile the data for the following line items:
- a. Domestic Priority Mail revenue, weight, and pieces;
 - b. Domestic Priority Mail Negotiated Service Agreement (NSA) revenue, weight, and pieces;
 - c. Parcel Select revenue, weight, and pieces;
 - d. Parcel Select NSA revenue, weight, and pieces;
 - e. First-Class Package Service revenue; and
 - f. First-Class Package Service NSA revenue;

RESPONSE:

The Nonpublic CRA (NonPublic_FY16CRARReport.xls), USPS-FY16-NP11, tabs "Cost3," "Cost4," "Volume2" and "Volume3," generally uses revenue, piece and weight from the RPW data in USPS-FY16-NP28, Excel file, "FY2016_RPW.ExtractFile.NonPublic.xls," tab "RPW Report."

There are no differences in revenue, pieces, and weight between these files for total Priority Mail, or total Parcel Select, or total First-Class Package Service. There are, however, minor differences that arise in the split between the NSA and non-NSA components of the totals. In those instances, there are minor differences in the NSA data, and offsetting differences in the non-NSA data.

- a.-b. For Priority Mail NSA data, the discrepancy in volume is due to a misclassification of the Metro Post pieces as non-NSA Priority Mail in the RPW report that is corrected in the Nonpublic CRA. The difference in weight is due to fact that, for NSAs using PC Postage as the payment method, the cost analyses

² Library Reference USPS-FY16-NP11, December 29, 2016.

³ Library Reference USPS-FY16-NP28, December 29, 2016.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

use imputed national average weight per piece from SupportPriority_FY16.xlsx for flat rate products, whereas RPW uses customer data reported in the Postal Service's National Meter Account Tracking System (NMATS), in which weights appear to be overstated.

- c.-d. For Parcel Select NSA data, the differences arise due to accounting methodology for Sunday delivery – one using a manifest-based approach by RPW versus NSA reporting which uses actual delivery attempts.
- e.-f. For First-Class Package Service NSA data, the discrepancies are due to a correction in the Nonpublic CRA to account for a small amount of double-counted Extra Service pieces in the RPW report.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

4. Please provide revenue, volume, weight, and attributable costs data for the following seven competitive domestic NSA products similar to the data for other competitive domestic NSA products filed with Library Reference USPS-FY16-NP27.⁴ If the data are not available, please explain.

Selected Contract Grouping	Contract	MC DOCKET	CP DOCKET
Parcel Select	Parcel Select Contract 13	MC2016-75	CP2016-93
	Parcel Select Contract 11	MC2016-28	CP2016-34
Priority Mail & First-Class Package Service	Priority Mail & First-Class Package Service Contract 7	MC2015-75	CP2015-114
	Priority Mail Contract 236	MC2016-191	CP2016-274
Priority Mail	PMNPR-FY16-JAN16-0030	MC2011-15	CP2011-51
Priority Mail NPR	PMNPR-FY16-APR16-0159	MC2011-15	CP2011-51
Priority Mail Express & Priority Mail	Priority Mail Express & Priority Mail 33	MC2016-186	CP2016-267

RESPONSE:

The requested information has already been provided in the revised file submitted on January 11, 2017 (in response to ChIR No. 2 Question 1) as a supplement to USPS-FY16-NP27. An Excel file submitted to accompany this response as part of USPS-FY16-NP34 reproduces the requested information as extracted from the revised version NSACostRevenueSummary_FY16_Rev. 1.11.17.xlsx, tab "NSA2016-DomesticCP-Summary." In that file, the row numbers shown in the first column reflect the row number in the revised file from which the requested information was extracted.

⁴ Library Reference USPS-FY16-NP27, December 29, 2016.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

5. Please refer to Library Reference USPS-FY16-NP27, Excel file "ContractB_FY16Q4_YTD.xlsx." Please provide the files listed in Column W.

RESPONSE:

The files listed in Column W of the referenced workbook are the workbooks containing the contract financials filed (under seal) with the Commission at the time the Postal Service was seeking approval for the respective NSAs. Furthermore, the SAS dataset Analysis\fy16q4_ytd.sas7bdat in USPS-FY16-NP27 has data fields with key information obtained from those workbooks, like Projected_Volume, Projected_CostCoverage, Proj_PriorityMailRPP, Proj_PriorityMAILCostPP.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

6. Please refer to Library Reference USPS-FY16-NP27, Excel file "NSACostRevenueSummaryFY16.xls," tab "NSA2016-DomesticCP-Summary," rows 255, 280 and 281. Please reconcile the cost coverage calculated based on the revenue and cost data provided in Excel file "NSACostRevenueSummaryFY16.xls" and the cost coverage provided in the individual NSA financial workpapers in Library Reference USPS-FY16-NP27.

RESPONSE:

After the revisions to USPS-FY2016-NP27 of January 11, 2017 (provided in response to ChIR No. 2, Question 1), there is nothing left to reconcile. An Excel file provided under seal to accompany this response as part of USPS-FY16-NP34 presents a comparison of the cost coverages as shown in the revised version the Summary File in USPS-FY16-NP27 (NSACostRevenueSummary_FY16.Rev_1.11.17.xlsx), tab "NSA2016-DomesticCP-Summary," rows 255, 280 and 281, with the cost coverages shown in Column E of the respective source files, and in each instance there is no longer any discrepancy.

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 6**

7. Please refer to page 86 of the FY 2016 ACR.
- a. Please provide the contract names and docket numbers for the five competitive domestic NSAs that expired or were terminated during FY 2016. For the competitive domestic NSAs that the Postal Service terminated during FY 2016, please provide the notice of termination that the Postal Service filed in each relevant docket.
- b. Please confirm that the Postal Service negotiated price increases for the following two contracts that failed to cover costs. If confirmed, please file workpapers demonstrating improved cost coverage in this docket.

Contract Name	Docket No.
Priority Mail Contract 166 (Metro Post Only)	CP2016-49
Priority Mail Contract 169 (Metro Post Only)	CP2016-52

RESPONSE:

- a. The five contracts and docket numbers are shown below.

Contract Name	Docket No.
Priority Mail Contract 70	CP2014-9
Priority Mail Contract 108	CP2015-36
Priority Mail Contract 109	CP2015-37
Priority Mail Contract 128	CP2015-92
Priority Mail Contract 135	CP2015-109

Consistent with past practice, a separate notice of termination was not filed in each of these five contract dockets; rather, the Postal Service has reported relevant data for each terminated contract in USPS-FY16-NP27.

- b. The requested workpapers are provided under seal as part of USPS-FY16-NP34, and they show the projected cost coverage for the two contracts. Note that the Postal Service has filed and plans to continue to file quarterly reports on the performance of these two contracts for the duration of the contracts, pursuant to the Commission's order approving the contracts.